

## SRM Motors Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	4.00	CARE BB; Stable	Assigned
Long Term Bank Facilities	16.88 (Enhanced from 6.20)	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	82.79 (Enhanced from 50.80)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of SRM Motors Private Limited (SRM) factors in the weak financial risk profile in FY24 (refers to April 01 to March 31) characterised by weak capital structure and moderation in debt coverage indicators, however shown slight improvements during 9MFY25 (refers to April 01 to Dec 31). The rating continues to be constrained by low profitability margins, limited bargaining power with principal automobile manufacturer coupled with intense competition in the industry. These rating, however, continues to derive strength from experience of promoters along with long track record of operations and growing scale of operations albeit low profitability margins.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Scaling up of operations, with total operating income growing more than Rs. 350 crores coupled with PBILDT margin above 3.50% on sustained basis.
- Improvement in solvency position as reflected by overall gearing below 3.00 times.

#### Negative factors

- Any further deterioration in profitability margins below 3% on a sustained basis.
- Any further deterioration in capital structure due to increased dependence on working capital borrowing from present level on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The continuation of "Stable" outlook to the bank facilities of SRM takes into account capabilities of the management due to its long track record of operations to mitigate the inherent risk related to competitive nature of automobile industry without compromising much on operational aspects.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Weak Financial Risk Profile as reflected by high gearing and low interest coverage.

The capital structure of the company remains weak as reflected by the long-term debt to equity ratio and overall gearing ratio of 0.27x and 4.43x, respectively, as of March 31, 2024, as against long-term debt to equity ratio and overall gearing ratio of 0.44x and 3.22x, respectively, as at March 31, 2023. The high gearing is due to utilisation of working capital limits coupled with lower net worth of Rs. 18.18 crores. Further, due to high utilisation of working capital limits, interest cost of the company remains higher leading to weak debt coverage ratio as total debt/GCA and interest coverage ratio stood at 29.67x (PY:21.29x) and 1.50x (1.56x) respectively during FY24. As per the management, Company has infused additional capital of Rs. 1.50 crore during FY25 to support the business, which has resulted in slight improvements in capital structure during 9MFY25.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Limited bargaining power with principal automobile manufacturer

Being primarily into auto dealership business, SRM's business model is largely in the nature of trading wherein profitability margins are inherently thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of vehicles is set at a particular level by the principal manufacturer thereby restricting any incremental income for SRM. Further, auto dealers face competition from other dealers of nearby locations which forces company to provide discounts and attractive offers further impacts profitability margins.

### Intense competition in the industry

Indian passenger vehicle industry is highly competitive in nature as there are large numbers of players operating in the market like market leader Maruti Suzuki, Hyundai, Mahindra, Kia, Toyota etc. The performance of SRM is linked to the growth of Tata Motors Limited (TML) and how it faces competition from the other passenger vehicle manufacturers. Apart from competition from the dealerships of other brand vehicles, AMPL also faces direct competition from the other TML dealerships in the regions where it has presence.

### Key strengths

#### Experienced and resourceful promoters with long track record of operations.

SRM Motors Private Limited (SRM) is promoted by Mr Nagendra Kumar Agarwal and his son Mr Piyush Agarwal in the capacity of directors. Both the promoters are associated with the company from its inception in 2009. Further, company has a dedicated team of marketing and sales professionals, service in charge and customer relation officers, who have more than one and half decade of experience in their respective field, which strengthen the business risk profile of company. Furthermore, promoters are resourceful and proven their ability to support business in the form of unsecured loans as and when required in the business having outstanding of Rs. 3.81 crores as at March 31, 2024, which is subordinated to bank loan.

#### Growing scale of operations albeit low profitability margin.

The total operating income (TOI) of the company increased to Rs. 264.47 crore (PY: Rs. 215.24 crore) in FY24. The increase in total income is mainly on account of increased demand of TML passenger vehicles during the period. PBILDT increased to 3.74% in FY24 from 2.90% in FY23, owing to increase in TOI of the business leading to attain economies of scale. The company also achieved total income of Rs. 225.45 crores during 9MFY25. PBILDT further recorded at 3.66% during 9MFY25.

### Liquidity: Stretched

The liquidity position of the company remained stretched as reflected by almost full utilisation of working capital limits in last 12 months. Moreover, company has earned gross cash accruals (GCA) of Rs. 2.71 crores only in FY24 which has improved from GCA of Rs. 2.28 crores during FY23. Further, company has scheduled repayment obligations of Rs. ~2.06 crores annually for FY25 as against projected GCA of Rs. 3.43 crores. Furthermore, current and quick ratios also remain modest at 0.93x and 0.35x respectively as on March 31, 2024, as compared to 1.10x and 0.53x, respectively, as on March 31, 2023. Moreover, the company has free cash & liquid investments of Rs. 3.34 crores as on February 27, 2025.

### Applicable criteria

[Policy on Default Recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Services Sector](#)

[Rating of Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Uttar Pradesh based SRM Motors Private Limited (SRM) established in 2009 by Agarwal family for undertaking automobile dealership of Tata Motors Limited. Company is running 6 showrooms under 3S format of Tata Motors (PV & EV) in Lucknow and Rae Bareilly. SRM's routine operations are managed by Mr. Piyush Agarwal and his father Mr. N.K. Agarwal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	215.24	264.47	225.45
PBILDT	6.25	9.89	8.25
PAT	1.27	1.63	1.45
Overall gearing (times)	3.22	4.43	3.36
Interest coverage (times)	1.56	1.50	1.53

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Crisil has continued the ratings assigned to the bank facilities of Concept Cars Limited as "Issuer Not Co-operating" vide its press release dated December 09, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.50	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	December 2021	4.38	CARE BB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	4.00	CARE BB; Stable
Fund-based - ST-Vendor financing		-	-	-	82.79	CARE A4

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	4.38	CARE BB; Stable	-	1)CARE BB; Stable (18-Mar-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (23-Dec-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (26-Oct-21)
2	Fund-based - LT-Cash Credit	LT	12.50	CARE BB; Stable	-	1)CARE BB; Stable (18-Mar-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (23-Dec-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (26-Oct-21)
3	Fund-based - ST-Vendor financing	ST	82.79	CARE A4	-	1)CARE A4 (18-Mar-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (23-Dec-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (26-Oct-21)
4	Fund-based - LT-Working Capital Limits	LT	4.00	CARE BB; Stable				

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Fund-based - ST-Vendor financing	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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